

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 STR-04 AID-05 CEA-01 CIAE-00 COME-00

EB-07 EA-06 FRB-03 INR-07 IO-10 NEA-10 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

SS-15 NSC-05 L-03 H-02 AGR-05 PRS-01 PA-01 USIA-06

OIC-02 INT-05 /123 W

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R 171824Z JUL 75

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PASS TREASURY FOR WIDMAN, CEA FOR VON FURSTENBERG, FRB
FOR SIEGMAN

E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: CHANGES IN PROCEDURES FOR SHORT-TERM FORECASTERS

MEETING: DATE OF NEXT MEETING

REFS: (A) USOECD PARIS 15138

(B) LEDERER/WIDMAN MEMO OF FEBRUARY 25

1. SUMMARY. SHORT-TERM FORECASTERS AGREED AT JUNE 9-10
MEETING (REF A) TO EXPERIMENTAL CHANGE OF FORMAT FOR
FUTURE MEETINGS UNDER WHICH SECRETARIAT WILL HOLD
INDIVIDUAL CONSULTATIONS WITH MAJOR SEVEN COUNTRIES ON
TECHNICAL AND STATISTICAL ASPECTS OF THEIR FORECASTS.
THESE CONSULTATIONS WILL TAKE PLACE DURING HALF-DAY
PRECEDING PLENARY SESSION OF STFC, WHICH WILL BE REDUCED
TO 1-1/2 DAYS. THIS INITIATIVE RESULTS FROM PROPOSAL
MADE BY U.S. MISSION BASED UPON IDEAS SET FORTH IN REF B.
NEXT MEETING OF STFC WILL TAKE PLACE ON NOVEMBER 5-6,
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1975, PRIOR TO ECONOMIC POLICY COMMITTEE SCHEDULED FOR

NOVEMBER 17-18. SECRETARIAT INTENDS TO PREPARE BRIEF PAPER FOR STFC ON USEFULNESS OF CURRENT ECONOMIC INDICATORS BEING USED, AND WOULD WELCOME SUGGESTIONS FROM OECD MEMBER COUNTRIES BY SEPTEMBER 1.

2. REF B NOTED SEVERAL SHORT-COMINGS OF PRESENT STFC PROCEDURES WHICH DETRACT FROM CURRENT USEFULNESS OF THAT COMMITTEE. IN ITS ORIGINAL CONCEPTION, STFC WAS CREATED AS MEANS FOR TECHNICAL EXPERTS OF OECD GOVERNMENTS TO DISCUSS WITH SECRETARIAT THEIR PERSONAL APPRAISAL OF SHORT-TERM FORECASTS. HOWEVER, AS SIZE OF MEETINGS HAS INCREASED OVER THE YEARS, EXCHANGES OF INFORMATION HAVE BECOME LESS CANDIDLY BASED ON TECHNICAL EVALUATIONS OF PARTICIPANTS AND HAVE SHIFTED MORE TOWARDS EXPLANATIONS OF OFFICIAL VIEWS, WHICH IN LARGE PART HAVE ALREADY ENTERED PUBLIC DOMAIN. SECRETARIAT HAS NOT OBTAINED BENEFIT OF FRANK INSIGHTS INTO GOVERNMENTS' OWN VIEWS ON SHORT-TERM ECONOMIC OUTLOOK, AND HENCE DOCUMENTS WHICH IT PREPARES FOR USE OF EDRC, STFC AND EPC MAY REFLECT LACK OF SOPHISTICATED APPRECIATION FOR WHAT REALLY IS GOING ON IN COUNTRIES CONCERNED.

3. IN ADDITION, SECRETARIAT HAS RECENTLY INTRODUCED PROCEDURE OF SCHEDULING STFC CLOSER TO EPC MEETINGS, AND HAS USED SAME DOCUMENTATION FOR BOTH MEETINGS. WHILE THIS INNOVATION HAS VIRTUES OF ECONOMIZING WORK ON DOCUMENTS AND OF MAKING EPC DOCUMENTS AVAILABLE EARLIER THAN BEFORE, IT ALSO MEANS THAT EPC DOCUMENTATION DOES NOT REFLECT WHAT IS SAID BY NATIONAL DELEGATIONS AT STFC.

4. MISSION CALLED ATTENTION OF SECRETARIAT TO THESE PROBLEMS AND PROPOSED THAT (A) THERE SHOULD BE GREATER USE OF PRIVATE TECHNICAL DISCUSSIONS BETWEEN SECRETARIAT AND INDIVIDUAL COUNTRY DELEGATIONS AT TIME OF STFC MEETING, AND (B) THAT BETWEEN STFC AND EPC MEETING SECRETARIAT SHOULD PREPARE IN SUMMARY FORM REVISIONS OF ITS FORECASTS BASED ON INFORMATION OBTAINED AT STFC FOR CIRCULATION TO EPC MEETING (SO EPC REPRESENTATIVES WOULD NOT HAVE TO REPEAT VIEWS ALREADY PUT FORWARD BY THEIR STFC DELEGATES). MISSION ALSO RECOMMENDED THAT STFC LIMITED OFFICIAL USE

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CHAIRMAN PREPARE BRIEF WRITTEN REPORT ON MAIN CONCLUSIONS OF STFC FOR DISTRIBUTION PRIOR TO EPC PLENARY.

5. SECRETARIAT PROPOSED AT STFC MEETING ON JUNE 9-10 THAT DELEGATES OF MAJOR SEVEN COUNTRIES SPEND FIRST HALF-DAY IN INDIVIDUAL CONSULTATIONS WITH SECRETARIAT ON TECHNICAL AND STATISTICAL ASPECTS OF THEIR FORECASTS. THIS WOULD CUT DOWN MUCH OF TEDIOUS REVIEW OF

FIGURES IN PLENARY SESSION AND WOULD HELP TO FOCUS STFC ON MAIN ISSUES FOR DISCUSSION. PLENARY SESSION WOULD BE REDUCED TO 1-1/2 DAYS ON EXPERIMENTAL BASIS. IF DELEGATES PREFERRED, IT MIGHT SUBSEQUENTLY BE POSSIBLE TO EXTEND STFC MEETINGS TO 2-1/2 DAYS. U.S. AND OTHER MAJOR COUNTRIES SUPPORTED SECRETARIAT PROPOSALS ON ASSUMPTION THAT CONSULTATIONS WOULD BE LIMITED TO STATISTICAL AND TECHNICAL PROBLEMS. SPAIN, NOT BEING

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ONE OF MAJOR SEVEN COUNTRIES, OBJECTED TO IDEA OF HAVING CONSULTATIONS WITH MAJOR COUNTRIES SEPARATELY FOR FEAR OF DOWNGRADING PLENARY DISCUSSIONS AND WITHHOLDING INFORMATION FROM SMALL COUNTRIES. NEVERTHELESS, SECRETARIAT OBTAINED AGREEMENT THAT ADVANCED CONSULTATIONS WITH BIG SEVEN COUNTRIES WILL BE HELD ON EXPERIMENTAL BASIS PRIOR TO PLENARY SESSION AT NEXT STFC MEETING WHICH SCHEDULED FOR NOVEMBER 5-6.

6. SECRETARIAT EMPHASIZED IT HAS BEEN FORECASTING TOO FREQUENTLY IN RECENT YEARS AT EXPENSE OF EFFORTS TO IMPROVE ITS FORECASTING TECHNIQUES. IT WILL CONSEQUENTLY RECOMMEND AT NEXT BUDGET DISCUSSION IN COUNCIL THAT NUMBER OF ANNUAL FORECASTING ROUNDS BE REDUCED FROM THREE TO TWO AS IN EARLIER YEARS. U.S. REP (LEDERER) SUGGESTED WOULD BE USEFUL FOR SECRETARIAT TO UNDERTAKE STUDY ON WHAT WENT WRONG WITH PREVIOUS FORECASTS. SECRETARIAT REPLIED THAT IT HAS BEEN TRYING TO DO THIS FOR PAST FIVE YEARS, AND SUGGESTED IT WOULD BE HELPFUL LIMITED OFFICIAL USE

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TO HAVE DISCUSSION OF FORECASTING METHODOLOGY AT NEXT STFC. SECRETARIAT INDICATED WOULD PREPARE BRIEF PAPER ON USEFULNESS OF CURRENT ECONOMIC INDICATORS BEING USED, AND ASKED DELEGATIONS TO SEND SUGGESTIONS.

7. ACTION REQUESTED: PLEASE SEND ANY SUGGESTIONS BY SEPTEMBER 1 FOR SECRETARIAT PAPER ON USEFULNESS OF CURRENT ECONOMIC INDICATORS.
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